

Message Text

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ACTION EB-08

INFO OCT-01 EA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
SOE-02 OMB-01 DOE-11 ACDA-12 NRC-05 OES-07 PM-05
EUR-12 /157 W

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FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 2341
INFO USMISSION GENEVA
AMCONSUL MELBOURNE

C O N F I D E N T I A L CANBERRA 891

E.O. 11652: GDS
TAGS: ETRD, MRN, AS
SUBJECT: TRADE TALKS WITH PRIME MINISTER

PASS STR ELECTRONICALLY FOR AMBASSADOR STRAUSS

STATE FOR HOLBROOKE AND KATZ

GENEVA FOR AMBASSADOR MACDONALD

1. AT AN HOUR-AND-A-HALF MEETING FEBRUARY 6 IN MELBOURNE
WITH AMBASSADOR ALAN WOLFF, CALLED BY MALCOLM FRASER, AUSTRALIA'S
PRIME MINISTER, AND ATTENDED FOR THE UNITED STATES BY AMBASSADOR
ALSTON, CONGEN MELBOURNE PAUL POPPLE, THE PRIME MINISTER
APPEARED VERY WELL PREPARED ON HIS FACTS AND WAS UNYIELDING
ON HIS POSITION THAT THE INDUSTRIALIZED NATIONS HAD COMBINED
TO LIBERALIZE TRADE IN THOSE AREAS WHERE THEIR COMPARATIVE
ADVANTAGE WAS GREATEST AND TO EXCLUDE PRODUCTS IN THOSE
AREAS WHERE AUSTRALIA HAD AN ADVANTAGE, I.E., MEAT, WOOL AND
DAIRY.
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2. AT PM FRASER'S REQUEST, WOLFF POSTPONED MEETINGS WITH
AUSTRALIAN TRADE OFFICIALS AND FLEW WITH AMBASSADOR
ALSTON TO MELBOURNE TO SEE P.M. NO AGENDA WAS PROVIDED;
WHAT P.M. WANTED TO TALK ABOUT WAS MTN AND AUSTRALIA'S
TRADE PROBLEMS.

3. IN CORDIAL BUT TOUGH SESSION, FRASER HELD THAT
AUSTRALIA HAD GOTTEN SHORT END OF STICK IN SUCCESSIVE
ROUNDS OF TRADE NEGOTIATIONS AND THROUGH INDUSTRIALIZED
COUNTRIES' (U.S., UK & EC) RESTRICTIVE ACTIONS ON

AUSTRALIA'S KEY EXPORTS (E.G., QUOTAS ON BEEF, DAIRY, PAST RESTRICTIONS ON LEAD AND ZINC, ETC.). THE P.M. STRESSED AT LEAST THREE TIMES THE POSITIVE TRADING BALANCE WHICH THE UNITED STATES ENJOYS WITH AUSTRALIA (OVER \$1 BILLION SURPLUS), AND EXPRESSED THE VIEW THAT AUSTRALIA TO ITS OWN DETRIMENT WAS A SUBSTANTIAL MARKET FOR ASEAN PRODUCTS (SHOES, TEXTILES), ESPECIALLY WHEN MEASURED IN TERMS OF IMPORTS ON A PER CAPITA BASIS.

4. FRASER CONTENDED GATT SYSTEM HAD HURT AUSTRALIA'S INTERESTS, WITH U.S. TAKING AGRICULTURE OUT OF GATT IN 1955 AND EC REMOVING THE REST IN THE 1960'S WITH THE CAP. HE SAID AUSTRALIA HAD ALREADY GIVEN ALL SHE COULD AND HAD NO INTEREST IN AN INDUSTRIAL TARIFF CUT THAT WAS "PRIMARILY IN U.S. AND EC INTERESTS".

5. WOLFF NOTED THAT THERE WAS MUCH IN FACT THAT AUSTRALIA HAD NOT GIVEN AND COULD YET GIVE (E.G., BINDING OF TARIFFS, A CONCESSION ON TOBACCO). WOLFF STATED THAT AUSTRALIA AND U.S. HAD KEY COMMON INTERESTS SUCH AS BEEF AND GRAINS, AND PURPOSE OF CONSULTATIONS WAS TO COORDINATE SHARED INTERESTS, AS WELL AS LAY GROUND FOR EXCHANGE OF CONCESSIONS.
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ALSTON AND WOLFF BOTH SAID AUSTRALIA COULD NOT CURE ITS PAST GRIEVANCES WITHOUT ACTIVE PARTICIPATION IN TALKS, AND THAT FRASER HAD NO ALTERNATIVES.

6. WOLFF POINTED TO U.S. OFFER AND PROMISE OF POSSIBILITY OF IMPROVEMENT THROUGH MTN OF AUSTRALIA'S EXPORT OPPORTUNITIES. HE TOLD FRASER AUSTRALIA WOULD BE OUT OF THE GAME, HOWEVER, UNLESS IT TABLED AN OFFER SOON, WITH WHATEVER CONDITIONS AUSTRALIA FELT IT SHOULD ATTACH IN ITS OWN BEST INTERESTS. FRASER HINTED THAT HIS LEVERAGE PROBABLY LAY OUTSIDE OF MTN.

7. AT THIS MEETING, WHERE IT SHOULD BE EMPHASIZED THE PRIME MINISTER WAS IN NO MOOD TO MAKE THE SLIGHTEST CONCESSION, MENTION WAS MADE TO URANIUM. THE PM APPARENTLY FEELS THIS IS AUSTRALIA'S MOST VALUABLE CHIP. IN REFERRING TO URANIUM, THE PM NOTED AUSTRALIA'S COMPLETE SUPPORT OF PRESIDENT CARTER'S PROGRAMS (REFERENCE WAS EITHER TO ENERGY PROGRAM OR NUCLEAR NONPROLIFERATION PROGRAM, BUT WAS NOT CLEAR AND PERHAPS REFERENCE TO BOTH PROGRAMS WAS INTENDED.

8. FURTHER WITH RESPECT TO URANIUM, THE P.M. SAID TO AMBASSADOR ALSTON THAT HE SHOULD HAVE NO DOUBT THAT AUSTRALIA WILL MINE AND SELL THE ORE. IN AN ASIDE, THE PM SAID A CONTRACT TO SUPPLY URANIUM TO RUSSIA WOULD DISSIPATE THE OBJECTIONS TO MINING AND SHIPPING NOW BEING VOICED (PRESUMABLY BY MINERS AND LABOR UNIONS).

9. SPECIFIC COMMODITY ISSUES:

A. BEEF. P.M. DENIGRATED U.S. TARIFF OFFER AND POINTED UP OBVIOUS FACT THAT QUOTA WAS WHAT MATTERED. WOLFF SAID BEEF LIBERALIZATION IN OTHER INDUSTRIALIZED COUNTRY MARKETS WAS KEY TO U.S. FLEXIBILITY AND THAT SOME PROGRESS COULD POSSIBLY BE MADE IN GENEVA. FRASER DOUBTED U.S. WOULD OPEN UP MUCH NO MATTER WHAT EC AND JAPAN DID. P.M. CERTAINLY UNDERSTOOD POLITICAL IM-CONFIDENTIAL

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PACT THAT THERE WOULD BE IN THE U.S. OF REMOVING MEAT IMPORT RESTRICTIONS.

B. DAIRY. FRASER SAID U.S. OUGHT TO GET OUT OF SUBSIDIZING BEEF AND DAIRY INDUSTRIES (THROUGH DEFICIENCY PAYMENTS) AND SHOULD REMOVE QUOTAS. WOLFF REPEATED U.S. PETITION OF NEGOTIABILITY OF U.S. RESTRICTIONS GIVEN APPROPRIATE CONDITIONS: E.G., CONTROLS ON SUBSIDIES, GREATER MARKET ACCESS ABROAD.

C. WOOL. FRASER HELD THAT U.S. TARIFF HAD NOT PROTECTED WOOL INDUSTRY BUT SWITCHED CONSUMPTION INTO SYNTHETICS. IN CONTEXT OF LACK OF AUSTRALIAN OFFER, WOLFF OFFERED TO WITHDRAW WOOL CONCESSION IF THIS WAS NOT OF INTEREST TO AUSTRALIA. FRASER RETREATED, SAYING THAT HE WANTED U.S. TARIFF ELIMINATION ON WOOL IMPORTS.

D. GRAINS. BOTH SIDES AGREED THAT CAP AND VARIABLE LEVIES WOULD NOT DISAPPEAR BUT THAT SIGNIFICANT PROGRESS COULD BE MADE AT THE MARGIN.

E. TOBACCO. FRASER WAS VERY INTERESTED IN HOW MUCH THIS AUSTRALIAN BARRIER WAS WORTH TO U.S., IMPLIEDLY CONSIDERING WHETHER THIS WOULD PAY FOR U.S. CONCESSION ON WOOL.

10. SHAPE OF SYSTEM. WOLFF URGED ACTIVE PARTICIPATION OF AUSTRALIA IN OTHER AREAS OF COMMON INTEREST; E.G., SAFEGUARDS, SUBSIDIES, STANDARDS.

11. JAPAN. FRASER WAS SOMEWHAT MISINFORMED ABOUT U.S.-JAPANESE ACCORD OF JANUARY 13, BELIEVING ITS OBJECTIVE TO BE PRIMARILY TO BENEFIT U.S. RATHER THAN GLOBAL
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LIBERALIZATION. PM STATED THAT IF EC AND THE UNITED STATES DENIED TO JAPAN ACCESS TO THEIR MARKETS, JAPAN MIGHT WELL REACT VERY BADLY AND HE NOTED THAT THIS SITUATION HAD PREVAILED ONCE BEFORE. ENOUGH SAID ON THAT SUBJECT.

12. THE MEETING WAS A DIALOGUE BETWEEN AMBASSADOR WOLFF
AND THE PRIME MINISTER, AND I FELT RESULT FROM THEIR
CONVERSATION WAS THAT AUSTRALIA'S HEAD OF STATE FORCEFULLY
HAD BROUGHT TO THE ATTENTION OF PRESIDENT CARTER'S
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AUSTRALIA IS NOT TO BE TAKEN FOR GRANTED. IT APPEARED
TO AMBASSADOR ALSTON THAT AUSTRALIA HAS RELATIVELY FEW
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AGAINST THEM IN INDUSTRY. AUSTRALIA NEEDS HELP AND IT
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IS HIGHLY DEPENDENT ON INTERNATIONAL TRADE AND THE HEALTH
OF THE WORLD ECONOMY. THEREFORE, HE MAY RECOGNIZE, THOUGH
MRN SEEMS REMOTE, THAT AUSTRALIA CANNOT AFFORD TO SEE MTN
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To: STATE INFO GENEVA MULTIPLE
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